

Message Text

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ACTION SS-25

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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 6984

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EXDIS

E.O. 11652: GDS
TAGS: MASS EG US
SUBJECT: AMC VEHICLE SALES AND PRODUCTION IN EGYPT

REF: A. CAIRO 7183 B. CAIRO 6538 C. CAIRO 5676

1. SUMMARY: AMC INTL REP CLARE PROVIDED DCM AND DATT THE FOLLOWING INFORMATION ON OCTOBER 2. AMC DELIVERY OF ADDITIONAL 2,000 JEEPS TO EGYPTIAN ARMY WOULD BEGIN MID-NOVEMBER. TEST TRIAL OF AMC GEN FIVE-TON TRUCK PROTOTYPE NEARING END IN COMPETITION FOR 1,000 TRUCK ORDER. TECHNICAL NEGOTIATIONS WERE UNDERWAY RE REESTABLISHMENT OF CKD ASSEMBLY PLANT WITH ANNUAL PRODUCTION OF 10,000 JEEPS AND 6,000 TRUCKS. EMBASSY REQUESTS ADVICE WHETHER USG PERMISSION IS NEEDED FOR AMC TO ENTER INTO SUCH CO-PRODUCTION AGREEMENT. END SUMMARY.

2. TOD O. CLARE, EXEC MARKETING DIR FOR AMC INTL CALLED ON DCM AND DATT OCTOBER 2. HE REPORTED THAT DELIVERY OF 2,000 JEEPS TO EGYPTIAN ARMY UNDER DOLS 12.5 MILLION CONTRACT NEGOTIATED LAST JULY WOULD BEGIN IN MID-NOVEMBER.

3. CLARE ALSO INDICATED THAT HE WAS WORKING WITH AMC GEN ON SALE OF 1,000 TRUCKS, EITHER 2-1/2 OR FIVE TON -- OR COMBINATION THEREOF. 800 WOULD BE CARGO AND 200 RECOVERY VEHICLES.

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TRUCK PROTOTYPE BROUGHT TO EGYPT WAS PRESENTLY

UNDERGOING TEST TRIAL. TEST IS BEING CONDUCTED IN COMPETITION WITH MERCEDES AND OTHER EUROPEAN ENTRIES. HE BELIEVED THAT, POSSIBLY FOR POLITICAL REASONS, ORDER MIGHT BE SPLIT AMONG TWO OR THREE COMPANIES, BUT HOPED THAT AMC WOULD OBTAIN BULK OF ORDER.

4. CLARE ALSO PROVIDED INFORMATION RE STATUS OF AMC NEGOTIATIONS WITH ARAB MILITARY INDUSTRIAL ORGANIZATION (AMIO) TO ESTABLISH CKD ASSEMBLY PLANT IN EGYPT WITH ANNUAL PRODUCTION OF 10,000 JEEPS AND 6,000 FIVE TON 6 X 6 TRUCKS. FOLLOWING INFORMATION EARLIER SUPPLIED DCM (REFTEL A), CLARE SAID HE TOOK PART IN MEETING IN LONDON WITH OTHER AMC INTL AND GEN REPS TOGETHER WITH AMIO REPS INCLUDING ASHRAF MARWAN, A "DEPUTY DEFMIN" FROM SAUDI ARABIA AND TWO UNITED ARAB EMIRATES REPS INCLUDING UAE AMBASSADOR TO CAIRO. AT THIS MEETING AMC PROPOSED TO SET UP ASSEMBLY PLANT WITH ABOVE-MENTIONED CAPACITIES AND SAID THIS COULD BE DONE WITHIN 13-14 MONTHS AFTER FIRM GO-AHEAD SIGNAL WERE GIVEN. AMC ALSO OFFERED EQUITY PARTICIPATION, WHICH CLARE SAID IMPRESSED ARAB SIDE. WHEN ASKED WHAT LEVEL OF PARTICIPATION AMC PROPOSED, CLARE INDICATED THEY DID NOT SPECIFY BUT THAT IT COULD RANGE FROM 5-49 PERCENT. IMPLICATIONS OF HIS REMARKS, HOWEVER, WAS THAT AMC WOULD PREFER 5-10 PERCENT LEVEL.

5. CLARE THEN REPORTED THAT AMC INTL HAD RECEIVED CABLE FROM MARWAN 10 DAYS AGO ASKING FOR FURTHER DISCUSSIONS ON ASSEMBLY PLANT. AFTER BRIEF INITIAL MEETING WITH MARWAN, CLARE, AMC INTL VP FOR INTL OPERATIONS HYDE AND DIR TECH SERVICES TRIMMER, ENTERED INTO TECHNICAL DISCUSSIONS WITH COMPETENT EGYPTIANS FROM TECH REQUIREMENTS DEPT (VEHICLES) OF MIN WAR PRODUCTION. THESE DISCUSSIONS WITH TRIMMER WILL CONTINUE AND ON OCT 11 THREE-MAN TEAM OF AMC EXPERTS ON BUILDING, TOOLING AND CONSTRUCTION ARE DUE TO ARRIVE IN CAIRO IN ORDER TO LOOK OVER POSSIBLE SITES, PROBABLY IN ALEXANDRIA AND DISCUSS OTHER PROBLEMS RE PLANT CONSTRUCTION.

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6. IF JOINT VENTURE ARRANGEMENT IS NEGOTIATED, CLARE SAID FINAL COMMERCIAL STEP WOULD BE TO HAVE AMC REMOVED FROM ARAB BOYCOTT LIST, NOTING THAT THIS WAS ESSENTIAL SO THAT VEHICLE PRODUCTION OF PLANT COULD BE SOLD ELSEWHERE IN ARAB WORLD. AT CONCLUSION OF MEETING, CLARE EXPRESSED CONCERN OVER PRESS REPORTS ABOUT JEEP SALES TO EGYPT, WHICH HE SAID HAD BEEN ATTRIBUTED TO STATE

DEPARTMENT OFFICIALS. CLARE SAID HE WAS HAPPY TO
KEEP US INFORMED OF AMC DEVELOPMENTS, BUT ASKED THAT
THIS INFORMATION BE HELD VERY CLOSELY IN ORDER
TO PROTECT AMC FROM POSSIBLE MANEUVERS BY ITS
COMPETITORS (LAND ROVER AND TOYOTA). WE STRONGLY
URGE THAT CLARE'S CONFIDENCES BE STRICTLY PROTECTED.

7. EMBASSY REQUESTS DEPT REPLY TO QUESTION POSED REFTEL
B RE NECESSITY FOR USG PERMISSION BEFORE AMC COULD ENTER INTO CO-
PRODUCTION ARRANGEMENT. WE NOTE THAT AMC GEN REP GENERAL
LOLLIS WAS UNDER IMPRESSION SUCH PERMISSION WAS UNNECESSARY ONCE
EXPORT LICENSE HAD BEEN APPROVED (REFTEL A).
EILTS

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